LODESTAR ENERGY

Testimony of Lodestar Energy LLC

In Support Of

S.B. 176 - AAC Shared Clean Energy Facilities

With Amendments

Senator Needleman, Representative Arconti, Senator Formica, Representative Ferraro, and members of the Joint Committee on Energy and Technology:

Lodestar Energy ("Lodestar") is one of Connecticut's most established and successful commercial solar installers in Connecticut. Headquartered in Avon, Lodestar has installed over 110 MWs of larger scale solar projects across 40 locations in Massachusetts, New York and Connecticut. Relying on our experience over the past 8 years developing, building, financing, and operating solar assets in CT, Lodestar appreciates the opportunity to provide the following testimony regarding S.B 176 – An Act Concerning Shared Clean Energy Facilities.

Proposed Amendment Regarding Property Taxes on Larger Solar Installations

In 2021, this committee raised the issue of property tax assessments on commercial solar installations greater that 50 kW. Several legislators on both side of the aisle had complained that commercial solar developers were providing the benefits of solar power (virtually) to towns not hosting the solar facilities, leaving local communities in the position hosting installations but not benefitting from those projects in terms of additional property taxes. By the end of last session, a compromise was reached in the form of S.B. 993 which established a statewide flat assessment of $5 per kW of solar installed. This standard rate also avoided the prospect of uneven distribution of these projects throughout the state by encouraging solar developers to choose low mill rate towns for their projects. With this consensus language, S.B. 993 was JF'ed out of this committee, but it was not taken up in the Senate before the end of session.

Because it would directly affect the viability of future SCEF projects, Lodestar urges the Energy and Technology Committee to include the language of last year's S.B. 993 in this bill. We can report that we have reviewed the language with the Council on Small Towns (COST), the Connecticut Conference of Municipalities(CCM), as well as our colleagues in the commercial solar industry, and we believe this compromise language satisfies the interests of all stakeholders.

Sections 1 through 3

It appears from the proposed language that the committee intends to raise the "cap" on Shared Clean Energy Facilities ("SCEF") to 35 megawatts from its current 25 megawatts. In addition, the language appears to increase the size of such projects, and direct a higher percentage of the power produced by these SCEF installations toward low- and moderate-income customers. Finally, the bill would create a new requirement that not less than 40% of all SCEF projects be located in environmental justice communities.

While Lodestar appreciates the overall intent of these sections of the bill, we do have concerns about the latter provision cited above. To require that such a high percentage of SCEF projects be located in typically more urban environmental justice locations would severely hamper the program's availability for solar installations. Instead, only more compact forms of energy generation, such as fuel cells, would satisfy this requirement, giving that industry an unfair advantage in the marketplace.

Section 4 – Empowering Utilities to Own and Operate SCEF

Lodestar is opposed to Section 4 of the bill and urges the committee to strike it in its entirety. As the committee is aware, our utilities have been prohibited from owning power generation since deregulation of the industry in 1998. Allowing them to engage in such activities opens the door to an unwarranted lifting of those restrictions.

Moreover, because the utilities are currently the administrators of the SCEF program and process SCEF applications from private sector developers, this provision would create a clear conflict of interest and effectively put the metaphorical fox in charge of the henhouse.

Program Caps and Accounting for Utility Costs and Benefits

Lastly, Lodestar would reiterate to the committee that raising or maintenance of caps on renewable energy programs is a policy currently carried out with blindfolds on.

The premise behind having caps on SCEF, Virtual Net Metering and the NRES commercial tariff is that all these programs directly and adversely impact ratepayers. From their adoption, our statutes carry an implied assumption of the truth of this premise by including in the statute's last section that

> the costs incurred by an electric distribution company pursuant to this section shall be recovered on a timely basis through a non-bypassable fully reconciling component of electric rates for all customers of the electric distribution company. C.G.S. Section 16-244z(e).

Yet time and again, the evidence from distributed energy studies throughout the country and here in Connecticut, demonstrates something different. In addition to costs, the utilities experience significant benefits from these programs: avoided distribution capacity charges, grid resiliency benefits, and upgrades to utility infrastructure significant benefits the utilities are not required to account for. These are not "soft" environmental benefits but tangible, "hard" measurable value being created for the EDCs. In fact, while ratepayers get billed for the cost of renewable incentives through the nonbypassable charge, the utilities pocket their savings instead of passing them on to the ratepayers.

Various attempts to identify and acknowledge these benefits to the utilities have been attempted in Connecticut but not completed. A Value of Distributed Energy Resources ("VDER") study was ordered by the legislature in 2019 but never completed. PURA has attempted to apply cost-benefit analyses to new incentive programs under its Equitable Modern Grid dockets. But nowhere is there an agreed upon, quantified analysis that informs this committee of the actual costs and benefits to ratepayers of SCEF, VNM and NRES. And without that information, the committee continues to blindly follow the mantra that all incentives hurt ratepayers, without regard to the quantifiable benefits in the equation. In turn the solar industry, ready to help the state meet its carbon-free goals and produce the jobs that come with it - is instead relegated to the role of Oliver, with porridge bowl outstretched, always having to beg for more.

To address the fallacy of the current policy, Lodestar respectfully proposes a simple change to the above-cited statute by adding a simple clause:

> the costs incurred by an electric distribution company pursuant to this section, *less their avoided costs as determined by the authority*, shall be recovered on a timely basis through a nonbypassable fully reconciling component of electric rates for all customers of the electric distribution company.

This simple change will require the utilities to report and recover their *net* costs from renewable incentives, and place PURA in the role of evaluating those claims as part of their ratemaking process. In the absence of a VDER study – a tool used by every other state in the region to set policy – this language would shift the burden onto the utilities to account for their costs and benefits and flip the script on the current fallacy that governs our renewables policy in Connecticut.

Once again, Lodestar appreciates this opportunity to comment on this legislation, and we remain available to discuss and contribute to this bill's further consideration.